

City of Lewiston Commercial Loan Program

Program Overview

This loan program is to provide financing that will assist with the rehabilitation of commercial properties in the City of Lewiston. Improvements must meet the City's building code standards. Funds can be used for the rehabilitation of building exteriors, upgrading building interiors, mechanical systems, and structural repairs.

Public funds must be matched on a 1:1 basis with private investment. The maximum city loan is \$50,000. City funds will be lent at a 3% interest rate for a term not to exceed 10 years.

Program Objectives

- To leverage private sector investment in taxable commercial buildings, improving the functionality, safety, and appearance of the structure.
- Elimination of blighted properties
- Encourage investments that enhance the economic viability and appearance of the City, and that result in increased occupancy and job creation.

Program Criteria

Project Eligibility: The building must be taxable, privately owned, and a commercial or mixed use property.

Applicant Eligibility: The applicant must have proof of ownership of the building, must be current on all City assessments, provide evidence of cash match from a financial institution, lender, insurance payment or owner cash; and meet financial and underwriting requirements if part of the financing is a loan. The applicant nor any member of his/her family may be an elected or appointed City Official; Director of any City Department; an employee of the City's Economic and Community Development Department or Code Enforcement and Planning Department.

City Assessments: Applicants may not be delinquent on property taxes, personal property taxes for business equipment, trash, water or sewer or have any outstanding or delinquent accounts on any property of which they are a principal owner within the City of Lewiston.

Historic Properties: Some of the properties located in the downtown area are listed on the National Historic Register or have been designated locally as being a historic building or is located in a designated historic district. Applicants are encouraged to know the historical

significance of the building they are applying for funding for. The Commercial Loan Program utilizes federal funding which requires review and approval of proposed changes to historic properties by the Maine Historic Preservation Commission, and or by the Lewiston Historic Preservation Review Board. The level of historic significance triggers the level of review. Please check “Appendix A - Zoning and Land Use Code Article XV Significant Buildings and Districts” at the City of Lewiston to determine local significance and review requirements. Historic projects must follow the Secretary of Interior’s Standards for Rehabilitation. Construction documents shall be prepared by an architect, design consultant, or contractor, preferably with experience in the building restoration field.

Cost Estimates: Applicants are required to obtain two firm bids for eligible improvements that are being funded by the Commercial Loan Program. Bids must be from independent contractors and cover the same scope of work by each contractor. Projects approved for funding will be based on the lowest and most qualified bids; however, applicants may choose any of the submitted bidders but will be responsible for paying the cost that exceeds the lowest qualified bidder. A building owner with a construction company may not bid to do work under this program.

Maximum Funding Available per Project: Up to \$50,000 available for approved project costs.

Matching Funding: A minimum of a 1:1 match (50% of total project cost) is required for any increment of funding provided under this program. Applicant may secure match from a lender, owner equity, or insurance, etc. Match must be cash, or liquid and available when the project is approved for funding. A letter of firm commitment from a lender or award letter will be used to verify match from sources other than owner equity. Once the application is approved for funding, each disbursement request of public funding must be matched by an equal amount of private funding. All of these forms of match are acceptable providing the funding is available at the time the project is ready to proceed. No self-help labor is allowed as match.

Funding Agreement: Applicants must have a signed funding agreement with the City prior to commencement of improvements. Other than for architectural design, project expenditures made prior to approval of the project by the LQC, and if needed, historic review approvals, do not qualify as matching funds. Other than as described above, only those expenditures made after execution of a funding agreement are eligible for inclusion as match or for 50% reimbursement.

Federal, State and Local Requirements May Apply: Most of the funding available to the City for grants and loans comes from federal or state resources which means there are some restrictions or requirements that must be met. Additionally local ordinances may apply. Restrictions governing these funds are described in a later section of these guidelines.

Funding Source: Community Development Block Grant (CDBG); and or other federal, state or local funding may be used.

To Apply for a City Loan or Grant

A property or business owner interested in participating in the City's Commercial Programs must submit a completed, signed application, along with the required submissions to the Economic and Community Development Department, City of Lewiston, 27 Pine Street, Lewiston, ME 04240. If you have questions specific to the program, you can contact Jayne Jochem, Community Development Coordinator at 207-513-3126 x 3233 or jjochem@lewistonmaine.gov. Personal appointments can be made upon request. There is an open application period as long as funding is available. Commercial loans and grants are processed on a first come, first serve basis for approved projects.

Application Submission

The following items must be submitted as part of the application package.

- a) Completed and signed application form and application checklist for documents required to be submitted
- b) Certain financial information is required with all applications including: personal and business income sources, two years personal and business income taxes financial statements or other documentation from a certified accountant, two months of personal and business bank statements, Year to date profit and loss; projected cash flow for next 12 months, collateral sheet, other information as requested; Copy of the Hazard Insurance on the property
- c) Addresses of all properties owned wholly or in part in the City of Lewiston by the Applicant
- d) Current photograph of property to be improved
- e) Written description of the project improvements including material list and color selections, if appropriate to the project
- f) Construction drawings of the proposed improvements, if applicable
- g) Two written bids/estimates of each component of the proposed scope of work needed to complete the project

Application Processing and Review

Each application received will be dated upon receipt in the Economic and Community Development Department offices on the Third Floor at City Hall. Only one original application is needed; however, retain a copy of the completed application for your files. There are two

types of funding available, grants or loans. The program itself describes the type of funding available as well as the maximum funding limits. You may request up to that limit; however, if the ask does not support the need, the City may fund an amount less than the maximum funding levels.

Additionally, applications will be accepted for one or more programs offered through the Economic and Community Development Department depending upon the scope and breadth of the project. For example, you may apply for a Façade Improvement Program and a Commercial Rehabilitation Loan or a Housing Rehabilitation Loan; however, you must meet the individual program as well as the financial guidelines for each type of program applied for. City funds from one funding source cannot be counted as match towards another commercial program. Owner's capacity to finance and complete the scope of the approved project on a timely basis is evaluated as other community development programs are accessed.

Verification of Information

Once the application is submitted, Community Development staff will verify all sources of income, assets, and matching source. Third party written verifications may be needed. Credit Reports to determine credit worthiness of the business including its members and principals will be obtained.

Community Development staff will conduct a title search of the property to make sure that the title is clear from liens and will complete property verifications with City Departments, (Assessing, Finance – Water and Sewer, Treasurers, etc Code Enforcement and Planning) that there are no outstanding assessments or complaints on the property. Staff will check the State of Maine's Corporate Database to ensure that the Corporation is considered in good standing. The Community Development staff will check the Federal State and local databases to determine whether or not the building is historic and the type of review needed. City staff will also check the FIRMettes Flood Map and the Wetlands Map and print a GIS map of the property location.

Community Development staff will review the project and the bids with the Building Inspector and set an appointment to conduct the initial inspection of the property to ensure that the improvements made to the property will add value and that the building can support the proposed improvements. The Building Inspector will make recommendations as needed including items that do not meet code and need to be repaired as part of the project.

Community Development staff will check the Contractors that have provided proposals against the Excluded Parties List System (EPLS) <http://www.epls.gov> to determine if the contractor has been debarred, suspended, is proposed for debarment, excluded or otherwise disqualified from work that is being federally funded. Staff will document the file.

Community Development staff will document the file defining the National Objective and the eligible activity that the project falls under.

Once the initial verification has been completed, if favorable, staff will document the file and send to underwriting.

Risk Analysis and Underwriting Criteria

All grants will be underwritten by staff in the Economic and Community Development Department. Commercial loans will be underwritten on a contractual basis.

The following underwriting criteria will be used to evaluate the financial strength of the borrower and the anticipated success of the project:

1. Debt Coverage Ratio (DCR) defined as the monthly debt compared to the monthly net income. The City will accept a DCR of 1:1.1. (loan only)
2. Debt Service Coverage Ratio (DSCR) defined as the Net Operating Income (NOI) divided by the Total Debt Service. The City will accept a DSCR of 1:1.20 (loan only)
3. Loan to Value Ratio (LTV) defined as the Total Loan Balances of the mortgages divided by the Fair Market Value of the Property. The LTV will not exceed 100% LTV (loan only)
4. Years in Business
5. Commitment of other lenders/Terms of the Commitment/Subordination
6. Repayment/Refinancing Collateral (loan only)
7. Matching source from an institutional lender, owner financing, insurance company, and/or any other source acceptable to the lender
8. Track record of accomplishments
9. Verification that all City Department assessments (taxes, City utilities, etc) have been paid

The file will be documented with this information and reviewed by staff to determine whether or not the project is financially feasible and ready to move to the Loan Qualification Committee for approval.

Application Approval:

All applications for program funding are presented for review and approval to the Loan Qualification Committee (LQC), which consists of: the City of Lewiston's City Administrator, Economic & Community Development Director, Director of Finance, one member of the City Council, and one citizen representative preferably with lending experience.

The actions of the Committee shall be governed by the following rules:

1. A majority of the Committee's members must be present to constitute a quorum. At least three (3) votes on the prevailing side are required to constitute a valid vote on any funding application.
2. Committee approval of applications will be contingent upon the applicant meeting the requirements of the program they are applying for
3. The Committee has the authority to adjust terms, rates and the match requirement and underwriting ratios on a case-by-case basis.

Approval/Disapproval of the Funding Request

Once the LQC makes a recommendation, the applicant will be notified via telephone by a representative of the Economic and Community Development Staff. If the terms have been modified, the borrower will be given an opportunity to accept the new terms and conditions or request an appeal.

Appeal Process

The applicant may appeal the decision of the Loan Qualification Committee (LQC) under the following circumstances:

- 1.) Must be in writing with an explanation regarding why the applicant should be granted an appeal
- 2) No new information may be presented by the applicant only clarification of information that was not presented correctly.
- 3) Request for an appeal must be made within 30 days of the date of the decision to deny or modify the terms of participation in writing to The LQC, Chairperson, who will conduct the appeal process.
- 4) The decision of the Chairperson is final.

General Terms and Conditions for Participation in the City Programs

This section sets forth the general terms and conditions to which an applicant must agree in order to receive a loan through the Loan Programs.

Once the proposed work is approved for funding and a Commitment Letter is issued. Community Development Department staff will contact the owner, schedule an appointment for a loan closing. The following documents become part of the Funding Agreement between the City and the Owner: 1) Commitment Letter, Terms and Conditions of the Program, Security Agreement or Mortgage, Promissory Note, Personal Guaranties of all owners, if Equipment is purchased UCC-1 and 2; or other Agreements pertinent to the type of funding (eg Job Creation, Façade Maintenance Agreement, etc.)

The City of Lewiston views the documents executed at the loan closing as a contractual agreement between the Borrower and the City. To fulfill this agreement, the Borrower must:

1. Complete within six (6) months all rehabilitation work as described in the loan application submitted by the applicant and approved by the Loan Qualification Committee. For exterior work scheduled allowances may be made for weather if needed.
2. Repay in full and in the manner prescribed, all loan money disbursed to the Borrower by the City of Lewiston through its programs.
3. The Borrower accepts ultimate responsibility for fulfillment of this agreement and further agrees that:
 - a. Other verbal agreements or written contracts entered into for the completion of any rehabilitation activity is made solely between borrower and the respective contractor and/or supplier;
 - b. Will indemnify and hold harmless the City of Lewiston and its agents from any and all disputes or claims of any nature for damages which may arise from the performance of any rehabilitation activity.
4. If a Borrower fails to maintain the property at or above the minimum acceptable level prescribed by municipal codes, the City Treasurer may assess an interest penalty to be added to the Borrower's monthly payment. This interest penalty shall be equal to the unpaid principal of the loan after the code violations are discovered, times one-twelfth of the annual effective interest rate of the matching bank loan, and shall be assessed each first day of the month thereafter, until the code violations are corrected.

5. The Borrower's failure to make any monthly payment in full within thirty (30) days of the date when due, or the Borrower's failure to make full payment of any late charge or interest penalty within thirty (30) days of the date assessed, shall constitute a default.
6. The entire principal balance and all accrued interest shall become immediately due and payable without notice or demand upon the foregoing events:
 - a) The Borrower's failure to make any monthly payment in full within 30 days of the date when due, or the Borrower's failure to make full payment of any late charge or interest penalty within 30 days of the date assessed shall constitute a default;
 - b) The commencement of any proceedings by or against the developer under any bankruptcy or insolvency laws;
 - c) The dissolution of, insolvency of, appointment of a receiver for, or assignment for the benefit of creditors of any property of, the developer;
 - d) Loss of, substantial damage to, destruction of, sale of encumbrance upon (whether first or second position to this note and the mortgage securing this note), seizure of, levy against, attachment of, failure to pay any property taxes or other city utilities upon, or insurance premiums on the project property
7. Rehabilitation Loans will require a security instrument which is acceptable to the City. The cost of preparation and registration of the security document will be the Borrower's responsibility to bear and will be payable to the City at the time of the loan closing.
8. A Borrower agrees to permit inspection of the property, rehabilitation work and all contract agreements, materials, equipment, payrolls, and conditions of employment pertaining to the rehabilitation project by the City's ECDD and/or Code Enforcement personnel.
9. The Borrower agrees to follow the procedures and conditions of all established and applicable municipal ordinances in the physical rehabilitation and maintenance of improved property. Work not meeting minimum standards and procedures established by code is unacceptable for disbursement of any loan funds.
10. Disbursement of Program funds
 - a) Disbursement of all Rehabilitation Loan funds is made to the Borrower and the contracted contractor upon request submitted to the City's ECDD. Invoices received by Tuesday, end of day, will be processed for payment on Wednesday of the following week, no earlier than 3:00 pm.

- b) Repayment of the loan will begin upon completion of the construction phase or six (6) months after the closing date.
- c) The above is contingent upon approved activities being completed according to applicable municipal codes. No money will be disbursed to reimburse the Borrower for improvements made to the property which were not approved by the Loan Qualification Committee before they were commenced.

12. The Borrower is required to maintain hazard insurance on the improved property for the full term of the note and for an amount equal to the total value of all mortgages held on the property. Prior to disbursement of program funds, the City shall be listed as a loss payee on the policy for the property.

13. The Borrower agrees to keep such records as may be required by the City of Lewiston with respect to the rehabilitation activities.

14. The Borrower further agrees to abide by all terms and conditions of Federal Regulations, including:

1. **Federal Labor Standards:** The Borrower must abide by established minimum wage rates (Davis Bacon Act as supplemented by Department of Labor regulations) contained in entitlement grant regulations 24 CFR 570.603 FOR ALL commercial construction contracts awarded in excess of two thousand dollars (\$2,000).

2. **Lead-Based Paint Hazards:** Any Rehabilitation loans made by the City of Lewiston shall be subject to the current federal regulations contained in entitlement grant regulations 24 CFR Part 35 provisions providing for the elimination of lead-based paint hazards.

3. **"Section 3" of the Housing and Urban Development Act of 1968:** The Borrower must comply with the Provisions of Training, Employment and Business Opportunities and will comply with Title IX Section 915, Section 3 of the Housing and Urban Development Act of 1968, as amended in 1992; and in accordance, in all work made possible by or resulting from this contract, affirmative action will be taken to ensure that residents (preferably; lower income) of the City of Lewiston are given maximum opportunities for training and employment and that business concerns located in or owned in substantial part by residents of the City of Lewiston are to the greatest extent feasible, awarded contracts.

4. **Flood Hazard Insurance:** If the property to be improved is located in a designated flood hazard area, the applicant is required to carry flood plain insurance in accordance with the National Insurance Act of 1968 (as amended) and abide by the regulations of the Flood Disaster Protection Act of 1973 as contained in Entitlement Grant Regulations 24 CFR 570.605.

5. **Civil Rights Act of 1964:** The Borrower must not discriminate upon the basis of race, color, creed, or national origin in the sale, lease, rental or occupancy of an improved property and will comply with Title VI of **the Civil Rights Act of 1964, codified** in United States Code Title 42 Sec. 2000(d), and Title VIII of the Civil Rights Act of 1968, and Section 109 of the Housing and Community Development Act of 1974, and in accordance therewith, no person in the United States shall, on the ground of race, color, national origin, religion, age, or sex, be excluded from participation in, be denied the benefits, or be subjected to discrimination under, any program or activity funded in whole or in part with the Community Development funds or any other federal financial assistance. The operating agency will immediately take any measures necessary to effectuate this agreement.

6. **Interest of Certain Federal Officials:** No member of or Delegate to the Congress of the United States, and no Federal Housing Commissioner shall be admitted to share any part of this Program or any benefit to arise from the same.

7. **Interest of Members, Officers, or Employees of Operating Agency, Members of Local Governing Body, or Other Public Officials:** No member, officer or employee of the Department of Development (Planning, Community Development or Code Enforcement) or its agents or assignees, no municipal officers of the City, and no other member of any board or commission, elected or appointed official of Lewiston or employee of the City of Lewiston, who exercises any decision-making functions or responsibilities regarding the Community Development Program, shall have any direct or indirect pecuniary interest, as that term is defined by 30 MRSA, Section 2250, et seq., in any contract, subcontract or the proceeds thereof for work to be performed in connection with the program assisted under this agreement.

8. **Federal Funding Accountability and Transparency Act:** The Owner shall comply with requirements established by the Office of Management and Budget (OMB) concerning the Dun and Bradstreet Data Universal Numbering System (DUNS), the Central Contractor Registration (CCR) database, and the Federal Funding Accountability and Transparency Act, including Appendix A to Part 25 of the *Financial Assistance Use of Universal Identifier and Central Contractor Registration*,

75 Fed. Reg. 55671 (Sept. 14, 2010)(to be codified at 2 CFR part 25) and Appendix A to Part 170 of the *Requirements for Federal Funding Accountability and Transparency Act Implementation*, 75 Fed. Reg.55663 (Sept. 14, 2010)(to be codified at 2 CFR part 170).

These guidelines may be amended as required by changes in federal programs.